Inventory Management Function
(Allocations)

Issue: Direct account allocations have historically been used to control/ limit speculative buying by major accounts. Direct account allocations have been conservative/restrictive to major accounts and have fueled adversarial relationships.

Objective: Insure product availability to all customers.

Recommended Strategy: Use the Inventory Management Function (Allocations) as a tool to maximize customer service versus a direct account controlling device by changing our language and behavior regarding incremental demand.

- Use IMF as a process monitoring device to identify exceptional demands ≥ 125% of normal purchase patterns.
- Customer Services solicit information as to business issue/need requiring additional product so as to initiate appropriate action within the supply chain; i.e., IMF change/override, forecast change, expedited deployment, incremental production.
- Dependent upon product availability, allow all purchases that do not compromise other customers in the same warehouse.
- In the event of major events creating heavy demand throughout the supply chain, use IMF to fair share inventory until our inventory capabilities equal demand.

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Alternatives

- Discontinue the Inventory Management Function (Allocations)
  - Reduced service levels
  - Increased retail out-of-stocks
  - Increased finished goods inventories
  - Increased cost to RJRT

Budget Implications

- Annual costs to operate the IMF approximates

CPU Time	--	\$14,425
Man Power	--	2,837
TOTAL	--	\$17,262

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